

Statement of Senator Daniel K. Akaka
The Impact of the Economic Crisis on the U.S. Postal Service
January 28, 2009

The Postal Service over the past two years has undergone a major transformation, which has resulted in a fundamentally new approach to its business model. More than ever, the Postal Accountability and Enhancement Act (PAEA) that we passed in 2006 requires that the Postal Service act more like a business, closely linking postal rates to incurred costs.

However, in functioning more like a business, the Postal Service has begun to feel the same pinch as the private sector due to the economic crisis now occurring. Unfortunately, consumers in the United States are making less and buying less. This holiday season saw record lows in purchases, and fewer packages and deliveries as a result.

The Postal Service now faces a deficit of several billion dollars. There are some policies that could be enacted to put a band-aid on the situation, but it is no secret that much more is needed. The Postal Service's rates are strictly constrained by the consumer price index cap, which only allows a modest increase in rates. One of the few ways around this cap would be using the exigency clause in the PAEA, which is reserved for emergencies.

The problems with the economy will soon push the Postal Service to make some very tough decisions. We face the real possibility of reducing deliveries, cutting staff, or a number other options that would degrade postal service and likely damage customer satisfaction. I fear that dissatisfaction could lead to less use of the Postal Service and drive revenues down even further.

The Postal Service has been innovative, but the current economy calls for more innovation. The Postal Service needs to find new business opportunities and expand on existing relationships. It must also be cautious in entering into negotiated service agreements to ensure that the agreements financially benefit, rather than harm, the Postal Service's bottom line.

I am pleased that financial reporting provisions that I pressed for in the PAEA now allow for increased transparency and accountability in the Postal Service's budgeting process. That, along with the oversight of the Postal Regulatory Commission will help ensure that the Postal Service Congress have the information needed to make informed, and sometimes difficult, choices.

I look forward to this afternoon's testimony and hope that we can all work together to ensure that the Postal Service continues to provide world-class, universal service to all.